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Technical Note

Process for Identifying Limited Resource Farmers and Ranchers

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EXECUTIVE SUMMARY

The written policy on limited resource farmers and ranchers (LRF's) is in 180-GM, Issue 5, Part 406. Based on this policy, this technical note offers a number of procedures, methods, and sources of information to help identify LRF's. A primary recommendation of this document is to take the shortest, most uncomplicated, route to identify LRF's. This means if you or your staff know that people in a household have income levels below that specified in the policy, then you can classify that producer as a LRF and do not need further documentation.

Of the five characteristics outlined in NRCS's policy on LRF's, characteristic 'b' (75% of the total household net median state or county income) is the most useful and clearly defined characteristic. This technical note provides information on this characteristic for both state and counties and provides techniques for asking about the other characteristics. Under most circumstances, income indicators should be the basis for classifying LRF's. Although this technical note outlines procedures for gathering information on all the characteristics outlined in the policy, those characteristics other than household median income are either not as clearly defined or they can have a wide range of interpretations.

Characteristic 'a' (gross farm sales averaging under $40,000 in the last 3 years, with no non-farm income) is an unusual criteria because almost every household receives some non-farm income. Characteristic 'd' (farm/ranch size significantly smaller than average) is vague because (1) there is no clear measurement for the word "significantly" and (2) small size does not necessary mean small scale (e.g., small acreages can produce high value products). Characteristics 'c' (lack of access to capital, labor, or equipment) and 'e' (social customs, education, awareness, management skills, etc.) are important, but the terms are vague and imprecise. Therefore, it is difficult to develop consistent, clear, and concise indicators for these characteristics.

For <u>most</u> of the households in your district, classifying people as LRF's or non-LRF's requires no additional information beyond your own experience. Understandably, there will be some situations that will not be clear-cut. For example, a farmer is not a LRF, if s/he had a bad financial year, but s/he owns a larger than average farm. In most other situations, however, base your classification on income; e.g., a producer is not a LRF if s/he has limited access to capital, but the household income is over the level specified in the policy. Consequently, whether people in a household are above or below 75% of the metropolitan or non-metropolitan net median household income is a major determinant. The other characteristics are important because of how they affect this characteristic.

1.0 Introduction

This technical note is a guide for Natural Resources Conservation Service (NRCS), district, state, and field office personnel for identifying limited resource farmers and ranchers (LRF's). It can be used in conjunction with NRCS policy on LRF's, published in July 1990. The policy's reference number is 180-GM, Issue 5, Part 406. Specifically, this technical note addresses characteristics of LRF's outlined in subsection 406.02. It presents data or data gathering methods, or both, to provide indicators for these characteristics.

2.0 Overview

This publication provides (1) an outline of methods to gather first-hand information, (2) references to pre-existing published data, (3) data tables, and (4) procedures to assess specific characteristics. Typically, more than one data source or method is displayed for each characteristic. This diversity provides flexibility so you can select appropriate methods or sources, based on the circumstances.

3.0 Caution

There is an inherent danger in labeling and categorizing people. The biggest risk is that people may be offended by any label, regardless of whether we think it is a "good," "bad," or "appropriate" distinction. Also, social and economic situations can change quickly. Classifying a person as a limited resource or non-limited resource farmer in one year may be inaccurate for the next year.

It is important to be sensitive to the feelings of the person from whom you are acquiring information. Some people refuse to discuss or to respond in writing to questions that they consider of a personal nature. In these cases, try to obtain information through less intrusive measures.

4.0 Sources for Identifying LRF's

There are four sources you can use to identify LRF's. They can be employed by themselves or in combination with one another.

YOU	You can identify people as LRF's based on your personal experience and knowledge of their social and economic situation, and their farming operation.
OTHERS	Others can identify a person as LRF's, based on their personal experience and knowledge of their social and economic situation, and their farming operation.
SELF-IDENTIFICATION	Farmers can identify their own social and economic characteristics.
DATA	Data containing social and economic indicators can assist in identifying farmers as LRF's.

4.1 When using **yourself** (or other NRCS employees) as a source, your experience and observations are important. You can compare farmer characteristics with the characteristics specified in the policy. As an example, indicators to consider include: knowledge of a farmer's crop rotations, market prices, acreage planted, yields, equipment condition, facilities, housing conditions, outstanding mortgage, equipment inventory, and number of people living in a household.

4.2 Under the category **others,** you can gather information through conversations with knowledgeable people. These interviews can be semi-structured with a small core of questions or they can be free wheeling conversations. Any information gathered through such discussions should be verified and balanced through your own knowledge, interviews with the farmer or farm family, or published data sources.

4.3 Self-identification can be simply asking farmers about their characteristics. Again, this can be done by using semi-structured questions or through free wheeling conversations with the farmer or a member of the household. Written or telephone surveys are another way to get farmers to identify their characteristics. Take note, however, that NRCS, as a Federal agency, can not ask the same question to 10 people or more, unless the instrument has been approved by the Office of Management and Budget. In contrast, Conservation Districts do not have this restriction. NRCS can provide technical assistance to the District on questionnaire or form construction.

4.4 Data are available through a variety of published sources. One of the most useful sources is the <u>Census of</u> <u>Agriculture</u>. Other USDA agencies and universities also have valuable sources of information. Some data is also available in this technical note (see Tables 1 and 2).

4.5 Other Help

The NRCS has internal publications that can assist you in collecting social and economic information (see footnote <u>1</u>/, page 8).

5.0 Characteristics

The LRF policy section on characteristics of LRF's, section 406.02, is composed of indicators (a) through (e). This technical note provides data sources, methods, and procedures for each characteristic.

5.1 Gross farm sales average $40,000 or less in each of the last 3 years, and there is no non-farm income [(a) under 406.02 in the GM].

This characteristic probably refers to a very small percentage of people. Anyone whose gross farm sales is $40,000 or below would usually need other non-farm income to satisfy their basic needs. Current input costs usually reduce even $40,000 in gross farm sales to a net income below 75% of the state or county net household median income (see Tables 1 and 2 in this document).

To get a *general* idea of gross farm sales in your state, you can look at the <u>Census of Agriculture</u> for the percentage of farms with gross farm sales below $40,000. This is "Figure 4" in the 1987 <u>Census of Agriculture</u>. To acquire these figures at the county level, examine Table 2 in the county section of the state census. Table 4 in the state and county sections provides net cash returns. This table shows a large distinction between farms with sales of $10,000 or more and less than $10,000. Farms selling less than $10,000 may actually end up with a negative net cash return.

Census data, however, does not provide information on specific individuals. **You** (or **others**) can estimate this figure if you are thoroughly familiar with a person's farming operation and income. If no household member has non-farm income, it is possible to calculate gross farm sales. You would need extensive knowledge of their agricultural operation for each of the last three years. You would need to consider acres farmed, type of crop, yields, and crop prices. If a farmer has a livestock operation, by itself or in conjunction with a crop operation, you would have to know the number of animals or animal products sold and price per unit. You can then make the necessary calculations.

Self-identification is another way of gathering the information. This could involve an interview with the operator. Or, you could help the district to develop and analyze a survey or a form that specifically asks for average gross farm sales over the last 3 years. This is a direct method of acquiring information in this area.

5.2 Total household net income, farm and non-farm, is 75% or less of the non-metropolitan median household income for the state or county [(b) under 406.02 in the GM].

Tables 1 and 2 display state and county net median household income levels, respectively. Table 1 displays the state's 1989 non-metropolitan median household income (NMHI), the 1995 NMHI based on the Consumer Price Index, and 75% of this 1995 figure.

Table 1. Non-Metropolitan Median Household Income for 1989,
1995(calculated a/), and 75% of 1995, by State
and Selected U.S. Territories.

State	1989 NMHI Total	1995 NMHI Total a/	1995 NMHI 75% b/
AK	39641	48720	36540
AL	19707	24220	18165
AR	18620	22884	17163
AZ	21455	26368	19776
CA	25507	31348	23511
CO	24143	29672	22254
CT	39643	48722	36541
DC*	30727	37764	28323
DE	26904	33065	24799
FL	22195	27278	20458
GA	22323	27435	20576
HI	34358	42227	31670
IA	24256	29811	22358
ID	24140	29668	22251
IL	23886	29356	22017
IN	26329	32359	24269
KS	22822	28048	21036
KY	18842	23157	17368
LA	17492	21498	16123
MA	31202	38348	28761
MD	29161	35839	26879
State	**1989 NMHI Total**	**1995 NMHI Total a/**	**1995 NMHI 75% b/**
ME	26709	32826	24619
MI	23427	28792	21594
MN	23627	29038	21778

MO	19975	24549	18412
MS	17913	22015	16511
MT	22345	27462	20597
NC	22721	27924	20943
ND	21406	26308	19731
NE	22635	27819	20864
NH	31344	38522	28892
NJ*	40927	50300	37725
NM	20369	25034	18775
NV	30979	38074	28555
NY	26522	32596	24447
OH	25910	31844	23883
OK	19647	24146	18110
OR	23819	29274	21955
PA	24186	29725	22294
RI	35829	44034	33026
SC	22511	27666	20750
SD	20736	25485	19113
TN	20847	25621	19216
TX	20301	24950	18712
UT	26224	32230	24172
VA	23720	29152	21864
VT	27886	34272	25704
WA	24698	30354	22765
WI	25322	31121	23341
WV	18537	22782	17086
WY	26884	33041	24780

* state's metropolitan household income was used.

a/ See Appendix 1 for the consumer price index from 1989 to 1995.

b/ The figures in the above table were calculated by using the consumer price index (CPI).

The formula to arrive at the figure is as follows:

EXAMPLE:

Multiply the 1989 NMHI by the 1995 CPI, and divide by the CPI for 1989 (the factor of 1995 CPI/1989 CPI = 1.229032).
Using Alabama as an example,

1989 non-metropolitan median household income x 1995 CPI divided by 1989 CPI = 1995 NMHI

19707 * 1.229032 = 24220

1995 NMHI x .75 = 75% of 1995 NMHI

24220 * .75 = $18,165

* U.S. territories.

Table 2 includes the FIPS state-county 5 digit code, the state and county names, the 1989 median household income, a calculation of the 1995 median household income, 75% of the 1995 figure, and whether the county is considered a metropolitan or non-metropolitan county. The census definition of metro-nonmetropolitan is based on county population size and commuting patterns as of the 1990 Census.

Table 2. County level Metropolitan and Non-Metropolitan Median Household Income for 1989, 1995 (calculated), and 75% of 1995.

Note: Instead of providing a hard copy of this information, computer disks are included with this technical note. The information is on a Lotus spreadsheet. Each state office, and most field offices, are capable of accessing this information. If necessary, state NRCS offices can redistribute the figures to the counties.

To check whether the income of people living in a household is less than 75% of the metropolitan or NMHI, **you** would need to know the income of any person who lives in the household and is 15 years or older. Self-employment would consider net farm and non-farm income. Non-farm employment would include pre-taxed earned (e.g., salary before taxes) and unearned income (e.g., social security payments). For more details, see the definition of "money income" in census publications; e.g., County and City Data Book.

Others may be knowledgeable enough to know this information. Asking whether members of the household make more or less than the state or county figure displayed in Table 1 or 2 (use whichever amount is higher) is recommended. This is a closed-ended question, which is less intrusive than asking for the total income of the household members. A closed-ended question permits the respondent to simply say "yes," "no," or "about the same."

Self-identification is another potential source of personal information. This question can be asked in a interview, conversation, survey, or form. Again, using a closed-ended question, explained in the above paragraph, is recommended.

The agricultural and regular census has a wealth of income **data**. This type of information can provide general indicators of income levels in a county or state. However, to gather more precise income information, you must use more intrusive methods.

5.3 Lack of access to capital, labor, or equipment [(c) under 406.02 in the GM].

5.3.1 Lack of access to capital -- This indicator is hard to assess because the information is highly personal. As such, it would be difficult to know if the information you gather is accurate. A person's ability to borrow operating or capital improvement funds is best known by the person him/herself. **Self-identification** is a suitable method to collect this information. Again, you can acquire information through personal interviews with the agricultural producer or by having the producer fill out surveys or forms developed by the district. Be forewarned that producers may not agree to provide personal information to government agencies or government representatives.

Using **others** could lead you to interview people from public agencies and private banks and other lending institutions. The county Rural Economic and Community Development (RECD) officer is an excellent source of information on access to government loans. Some RECD borrowers qualify for low interest loans. If this is the case, then we would have some justification for identifying these borrowers as LRF's.

The same would be true if, based on low income, a person qualifies for higher cost share rates. This would also be a reason for identifying a producer as a LRF. Interviews with district and USDA personnel could determine if there are lending programs targeted to low income producers. The program's records can indicate its accessibility for low income producers.

We have to be sure that any information NRCS seeks from a government agency or private bank or lending organization is not protected under the "right to privacy" laws. Pursue, instead, information that can be collected under the "freedom of information" laws. You will need to find out the laws in your state, since each state may have different criteria for releasing information.

Data on Commodity Credit Corporation loans is covered in the Census of Agriculture. Table 6 in the state section and Table 4 in the county section display the number of farms and the average value of the loan. Figures on the value of land and buildings is in Table 11 in the state section. This type of information is helpful, but can only be used as general indicators.

A more personal **data** source is property taxes. You, as a member of the NRCS or the public, can freely access this information. Although the location of annual property tax books may be different in each state and county, they are usually found in the county assessor's office. "Real property" tax books show the owner's name (alphabetically) and address, value of the land, the tax bill, acreage, and tax map parcel numbers. The county tax maps are usually located in the tax assessor's office, although not all counties have these offices. Examining property values and tax records can provide a sense of an individual's economic situation.

5.3.2 Lack of access to labor -- A labor intensive agricultural crop or livestock operation require an adequate number of family laborers or paid laborers to operate the enterprise. This need may be a crucial component if the owners are elderly, farm part-time, or do not have enough operating capital to pay laborers. These and other reasons could limit the economic scale and efficiency of the enterprise. Thus, access to labor could be a partial cause for the farmer to be classified as a LRF. The source for this information would be **you**, **others**, or **self-identification**.

5.3.3 Lack of access to equipment -- From a farm visit or from the highway, **you** can sometimes observe an operator's equipment inventory. From these observations, you can assess whether he/she has the necessary equipment for the operation, the condition of the equipment, the age of the equipment, and the efficiency of the equipment.

Others can help answer some of these questions as well. Interview contractors, equipment dealers, community leaders, agrichemical dealers, and district employees. You would want to find out whether they think a farmer’s or rancher’s equipment is a crucial resource limitation.

Self-Identification is another option. Since farm equipment is not that personal a topic, an operator would probably be inclined to openly discuss it. At the same time, it seems this information can be obtained indirectly.

The Census of Agriculture, as a **data** source, covers the topic of equipment value and inventories in Tables 12 and 13 at the state level, and Table 8 at the county level. Again, this provides a general, not specific, indicator. Another **data** source could be found at the district level. This is relevant only if the district has an equipment loan program. You could then find out who uses the program, and how often it is used.

5.4 Farm or ranch size is significantly smaller than average size [(d) under 406.02 in the GM].

It is usually evident when a person is operating a small number of acres in which the scale of the operation limits the volume and efficiency of the enterprise. It can then be considered a limited resource. This assessment can be confirmed by **your** own observations or knowledge, the concurrence of **others**, or through **self-identification**. If a farm or ranch is larger in size than the average farm/ranch, then, even though the income level may be below those specified in 5.1 and 5.2, this person would not be classified as a LRF. The assumption is the land has monetary value that could be redeemed if the land were sold. Limited resource farmers do not have this flexibility.

Data of NRCS, FSA, RECD, private banks, census records, and property and tax records can confirm the number of acres in an operation. This can supplement information received from any of the above sources.

An important distinction that needs to made here is that small acreage does not necessarily mean limited resources. We are all aware of small but intense farming enterprises that produce high value products such as vegetables, chickens, hogs, fruit, flowers, and catfish. Any of these operations can be extremely profitable.

5.5 Social, cultural, customs or language barriers, minimal awareness of USDA programs, limited management skills, the level of formal education is below the county average or undereducated, and are less likely to take business risks and adopt new technology [(e) under 406.02 in the GM].

The social and cultural indicators listed above are important because of the influence they can have on: income; access to capital, labor, and equipment; scale of operation; and access to NRCS services. Because all people have social traditions, customs, etc., these characteristics, by themselves, do not constitute a LRF. A case can be made that when these characteristics act as barriers, agricultural producers will have limited success. Still, it would be inaccurate to develop a general rule. We cannot stereotype groups of people as LRF's. Identifying a LRF needs to be based on an individual's specific situation.

You and **others** can be vital sources of information for identifying when these human resource characteristics hinder a person from attaining economic resources that are above the level specified in the policy. This assessment needs to be based on careful observation.

Methods of **self-identification** (i.e., interview, survey, form) can be used to assess the characteristics identified above. This would mean evaluating specific types of information on social traditions, customs, and cultural barriers.

Some characteristics can be evaluated through general **data** acquisition, such as census records on educational attainment. Local schools can provide a wealth of information on indicators such as percentage of high school graduates, standardized test comparison, percentage of students going on to higher education, participation in vocational agricultural programs, participation in Extension programs, etc.

Awareness of USDA programs can be checked by examining participation in all USDA programs. However, failure to find participation does not necessarily mean people lack awareness of USDA programs. Some people are aware of programs, but choose not to participate.

Reviewing studies from land grant institutions (1862 or 1890 institutions), and ethnically diverse institutions is an example of other **data** sources.

6.0 Summary

Determining whether individuals and their families who engage in agriculture are LRF's or non-LRF's can be based on one's experience; gathering information from knowledgeable community members, farmers, or household members; or examining published data. A primary recommendation is to take the shortest, most uncomplicated, route to identify LRF's. This means if you or your staff know that people in a household have income levels below that specified in the policy, then you can classify that producer as a LRF and do not need further documentation. Tables 1 and 2 display state and county indicators for household median income, respectively. Other possible sources of information are discussed to ensure greater reliability. Less intrusive methods are recommended over more intrusive methods.

Footnote
1/ If you desire more detail on ways to gather information, review a module called, "Collecting and Analyzing Social Information" (Sociological Module #3). Another module, "Conflict Management," (Sociological Module #5) discusses techniques to conduct effective interviews, including interpreting nonverbal cues, asking open ended questions, and improving listening skills. Both modules are available from your designated training officer, state sociological coordinator, or the Social Sciences Institute.

Appendix 1

Expressing Economic Magnitudes in Constant Prices

There are a number of indices that can be used to convert dollars from different time periods to dollars of constant purchasing power. The consumer price index (CPI) is commonly used, and is appropriate for most applications. The conversion process is best explained with a hypothetical example. Average monthly earnings of a farm laborer in 1990 were $400.00. How much would it have taken in 1995 to equal the same purchasing power?

Multiply $400 x 1995 CPI/1990 CPI = 1995 dollar figure
$400 x 152.4/130.7 = $466.41

Year	**CPI**

1989	124.0
1990	130.7
1991	136.2
1992	140.3
1993	144.5
1994	148.2
1995	152.4